

# APPENDIX I - LONDON BOROUGH OF HAMMERSMITH AND FULHAM (LBHF) CIPFA FM CODE REVIEW 2024-25

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## **SUMMARY**

1. The tightening fiscal landscape of recent years has placed the finances of local authorities under intense pressure. Therefore, it is crucial to have robust financial management embedded as part of the organisation to ensure that local service provision is sustainable.
2. The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities.
3. The underlying principles set out in the code are:
  - Organisational leadership
  - Accountability
  - Financial management is undertaken with transparency at its core.
  - Adherence to professional standards
  - Sources of assurance are recognised.
  - The long-term sustainability of local services is at the heart of all financial management processes.
4. Whilst budgets are set on an annual basis, the Code emphasises that financial sustainability requires a longer-term perspective. Local authorities have been required to apply the Code from April 2020.
5. This report sets out how LBHF demonstrates the application of the CIPFA financial management standards. A “Red Amber Green” (RAG) summary of the Council’s self-assessment against the seven sections of the code is set out as follows:

### **Self- Assessment Conclusion**

	Green	Amber	Red
Leadership Team and CFO Role			
Governance and Financial Management Style			
Long to Medium Term Financial Management			
The Annual Budget			
Stakeholder Engagement and Business Plans			
Monitoring Financial Planning			
External Financial Reporting			

## **FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT ANALYSIS**

### **Section 1 – the responsibilities of the chief financial officer and leadership team**

*A – The leadership team is able to demonstrate that the services provided by the authority provide value for money.*

*B - The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.*

6. At LBHF there are various processes and structures in place to ensure that our services provide value for money. These include:
- The annual budget setting process, incorporating:
    - Internal budget challenge meetings.
    - Scrutiny via Policy and Accountability Committees (PACs); and
    - approval by Budget Council.
  - Corporate Revenue Monitoring (CRM) and Capital monitoring.
  - Preparation of the annual accounts and critical review of annual outturns.
  - Longer-term financial planning through the Medium-Term Finance Strategy (MTFS); and
  - Contracts Assurance Board (CAB).
7. These structures and processes ensure all financial decisions are reviewed and challenged if needed.
8. The role of Chief Finance Officer (CFO) complies with the CIPFA statement as the role specification is as defined in the financial regulations.

### **Section 2 – Governance and financial management style**

*C – The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.*

*D – The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).*

*E – The financial management style of the authority supports financial sustainability.*

9. LBHF demonstrates responsibility for governance and internal control as follows:
- An Audit Committee is in place to oversee LBHF's internal audit functions, the control environment and external financial reporting.
  - The internal audit function undertakes periodic, risk-based internal audits and will oversee audit processes, internal controls, risk, fraud, and compliance with regulations.
  - The Annual Governance Statement (AGS) is reviewed regularly.
  - The Senior Leadership Team (SLT) have dedicated meetings covering both finance and assurance on a periodic cycle.
10. The Annual Governance Statement (AGS) details the application of the CIPFA/SOLACE Framework. The Council's most recent AGS can be found in the annual statement of accounts here:

## [Statement of accounts | LBHF](#)

11. One of LBHF's core values is being ruthlessly financially efficient which supports a sustainable financial culture.

### **Section 3 – Long to medium term financial management**

*F – The authority has carried out a credible and transparent financial resilience assessment.*

*G – The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.*

*H – The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.*

*I – The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.*

12. The authority is subject to external audit every year which includes a going concern assessment as well as recommendations for any improvements. The Audit Committee are provided with regular updates on borrowing and liquidity. LBHF also produces an Annual Reserves Strategy and works to maintain reserves within a target level to provide financial resilience. A balanced budget is set prior to the beginning of the financial year.
13. To ensure financial sustainability in the longer term the authority carries out a Medium-Term Financial Strategy (MTFS) which is reported to Members and provides the basis for setting the annual budget. This includes growth, savings and inflation requests which are reviewed by SLT. This is followed by further review at member challenge meetings and then presented to scrutiny and overview committees.
14. There is a capital programme in place with regular monitoring and reporting to Cabinet. This programme complies with financial reporting requirements including the CIPFA Prudential Code.
15. As above, LBHF has a rolling medium term financial plan covering four years which is revised on a yearly basis through a robust process.

### **Section 4 – The annual budget**

*J - The authority complies with its statutory obligations in respect of the budget setting process.*

*K - The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.*

16. A balanced budget is set each year in line with the Local Government Finance Act 1992 as shown by the budget report for 23/24 linked below:

<http://democracy.lbhf.gov.uk/documents/s119758/Revenue%20Budget%20and%20Council%20Tax%20Report.pdf>

17. In the budget report linked above there is a section titled views of the Strategic Director of Finance which gives an opinion on the robustness of the estimates as required under Section 25 of the Local Government Finance Act 2003.

## **Section 5 – Stakeholder engagement and business plans**

*L - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.*

*M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.*

18. The budget process includes a robust consultation process with stakeholders including challenge meetings and cabinet meetings. The Council also engages key external stakeholders through rent consultations and benchmarking.

19. LBHF's use of appropriate documented option appraisal methodologies to demonstrate the value for money of its decisions is evidenced through decision reports, option appraisal and a stringent procurement process.

## **Section 6 – Monitoring financial planning.**

*N - The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.*

*O - The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.*

20. The regular Corporate Revenue Monitoring (CRM) and capital monitoring process enables management and decision makers to identify any emerging financial risks and correct them through mitigating actions. LBHF also maintains a risk register which helps the authority to manage significant risks as well as conducting analysis of the political and economic environment to help identify emerging risks.

21. A regular feature of monitoring activity is for leadership to monitor the elements that pose a significant risk to financial sustainability. Examples of this include regular reviews of the debt position, capital monitoring to assess spend on non-current assets and the inclusion of pension and treasury finance managers in regular board and committee meetings.

## **Section 7 – External Financial reporting**

*P - The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.*

*Q - The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.*

22. The Chief Finance Officer actively reviews both the draft and the final audited versions of the statement of accounts. They meet regularly with officers and auditors to discuss issues arising. They are responsible for producing the narrative report in the accounts and sign the Statement of Responsibilities within the accounts.

23. The final outturn figures are presented to SLT and Cabinet. The statement of accounts includes annual report on financial position, including capital and balance sheet reserves.